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Approved For Release 2007/02/08 : CIA-RDP79T00975A028100010010-8

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**National Intelligence
Bulletin**

- State Dept. review completed

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September 8, 1975

No. 669

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National Intelligence Bulletin

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CONTENTS

PORUGAL: Costa Gomes and Azevedo hold discussions on new government	1
PORUGUESE TIMOR: Lisbon's slow action on Timor annoys Indonesia	2
USSR - MIDDLE EAST: Soviets continue to react negatively to Sinai accord	3
USSR: Soviet propaganda on 30th anniversary of end of World War II	4
CAMBODIA: Sihanouk expected to return to Phnom Penh this week	5
FOR THE RECORD	6

National Intelligence Bulletin

September 8, 1975

PORUGAL

President Costa Gomes and Prime Minister - designate Azevedo discussed formation of a new government this weekend with representatives of six of the country's political parties.

According to Lisbon radio, present speculation is that a coalition comprising the Socialists, the center-left Popular Democrats, and the Communists will be expanded to include members of the anti-Communist Melo Antunes faction. In addition to these parties, talks have also been held with the hard-line pro-Communist Movement of the Socialist Left, the Communist front Popular Democratic Movement, and the center-right Social Democratic Center. It is believed these parties will not participate in the government, but have only been consulted to secure multiparty support.

There has been very little reaction to Friday's rump session of the Armed Forces General Assembly and the ouster of former prime minister Goncalves. Goncalves' supporters appear to feel that they have suffered a reversal. On Saturday evening his entire pro-Communist cabinet resigned, stating that it could no longer continue because Friday's events had fundamentally altered the political situation. The resignations came despite an appeal by Costa Gomes to stay on until the new cabinet is formed.

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The first reaction from the parties came from a leading Popular Democrat who demanded that the ruling Armed Forces Movement be dissolved, that the Revolutionary Council be scrapped, and that the military be subordinated to a democratic, civilian administration. He was probably seeking to gain a strong position for his party in the new government.

Army Chief of Staff Fabiao said yesterday that the parties are incapable of leading Portugal out of its present crisis,

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Meanwhile, Central Military Region commander General Charais—a strong Antunes supporter—sought to forestall any Communist attempt to take advantage of the present uncertainty. He warned that an attempted coup by Goncalves' Communist supporters would be "suicidal." Furthermore, he said, it would lead not only to civil war but also to a right-wing dictatorship.

25X1

National Intelligence Bulletin

September 8, 1975

PORtUGUESE TIMOR

Indonesian President Suharto is increasingly annoyed at what he believes are delaying tactics by Lisbon on the issue of restoring order in Portuguese Timor.

[redacted] Suharto apparently plans to follow the diplomatic option to the end before authorizing unilateral military action.

Portuguese special envoy Almeida Santos is still trying to piece together a multinational peace-keeping effort for Timor. Thus far, only Malaysia and Indonesia have responded positively, while Australia remains noncommittal. Santos is also trying to arrange talks between the feuding Timorese factions.

Leaders of the radical Fretelin party, which now controls Dili and much of the interior, have publicly agreed to meet Santos, who is now on Atauro Island, the headquarters for the Portuguese governor of Timor. Fretelin may demand that Lisbon recognize its de facto control of Portuguese Timor and publicly designate its representatives the leaders of a new Timorese government.

The Democratic Union party, which staged the coup on August 9 but subsequently lost control to the radicals, has not yet responded to Santos' invitation. The pro-Indonesian Apodeti party, the smallest and least effective political faction, apparently was not invited. Indonesian officials have publicly objected to any talks on Timor's future that do not include all three parties.

A major Portuguese concern in resolving the Timor problem is the safety of several dozen Portuguese citizens, mostly soldiers, still in Timor. Once their safety is assured, Santos may feel he has a freer hand to negotiate a settlement. Fretelin has promised to release some 30 Portuguese soldiers on September 11, and five others have escaped to Indonesian Timor. Several other Portuguese nationals apparently are unaccounted for.

[redacted] At present, Indonesian forces are patrolling Timor's land and sea borders, in part to quarantine the island from outside interference. [redacted]

25X1

National Intelligence Bulletin

September 8, 1975

USSR - MIDDLE EAST

The Soviets continue to react negatively to the second-stage Sinai accord.

The most recent issue of the weekly *New Times* on September 5 presents the most detailed Soviet critique to date of the agreement and raises a series of objections:

- Israel's withdrawal in Sinai is discarded as meaningless because 87.5 percent of the area remains under Israeli occupation.
- The introduction of US technicians is called an effort by Tel Aviv to involve the US in Israeli "adventures." The article also cites US sources as noting a parallel between the introduction of technicians in Sinai and US involvement in Vietnam.
- The agreement is described as having no connection with a general settlement in the Middle East and, in fact, as aggravating the basic problem by prolonging Israeli occupation of Arab lands.

The article also suggests that the agreement tends to divide the Arab cause, one of several digs at Egypt.

The West German ambassador in Moscow has described separate conversations he had on August 27 with two leading officials in the Soviet Foreign Ministry. Both officials stressed that by ignoring the Syrians and the Palestinians, the Sinai agreement would "not help at all." One of the officials, the head of the International Organizations Department, added that there are "ill feelings" on the part of Jordan.

National Intelligence Bulletin

September 8, 1975

USSR

Soviet propaganda on the 30th anniversary last week of the end of World War II in East Asia not surprisingly ignored the role of the West and exaggerated the role of the USSR in the defeat of Japan.

Defense Minister Grechko's order of the day last Wednesday stated flatly that the Soviet contribution was decisive. Grechko acknowledged the contribution of the "allies and Asian national liberation movements," but only Mongolia was specifically mentioned.

Another major theme was the importance of Japan's defeat for national liberation movements in Asia, particularly those in Korea and China. A *Pravda* article apparently written by Foreign Ministry Asian expert Mikhail Kapitsa reiterated the long-standing Soviet assertion that the USSR delivered Manchuria to the Chinese Communists and that the arms the Soviets turned over at that time were instrumental in the Communist victory in 1949.

Other Soviet propaganda on the anniversary went even further in stressing the contribution the Soviets made to the Chinese Communist victory. A *Red Star* article on August 26 enumerated the arms turned over to the Chinese after the Soviets occupied Manchuria and attacked Mao for trying to minimize the significance of this aid.

An article in *Literary Gazette* on September 3 said the USSR provided "massive help" to the Communists throughout the course of the civil war. The Soviets did provide some aid to the Chinese Communists. It was not massive, however, and Moscow continued to deal with the Nationalists almost to the eve of the Communist victory.

Grechko's order expressed satisfaction that Moscow's relations with Japan are developing in a spirit of "good neighborliness." The Kapitsa article, however, suggested otherwise. It treated Moscow's territorial dispute with Japan in such a way as to imply that Moscow will never compromise, and it attacked "certain circles" in Japan for impeding progress toward better Soviet-Japanese relations.

The Kapitsa article's toughness toward the Japanese stems in part from Japan's consideration of an anti-hegemony clause in its proposed peace treaty with China. The Soviets believe that the inclusion of such a clause in a treaty would be a significant setback to their interests in Asia.

National Intelligence Bulletin

September 8, 1975

CAMBODIA

Prince Sihanouk is scheduled to leave Peking this week for Phnom Penh. He is expected to depart on September 9 or 10 and will take with him only his wife, two sons, Prime Minister Penn Nouth, and a small number of aides and older members of his entourage. The rest of Sihanouk's followers in Peking fear that if they returned, they would be sent to the countryside to work in the fields.

Sihanouk reportedly has told those who will not accompany him to leave Peking in the next few days while he is still able to give them some protection. Most of his followers have applied for French visas. The Chinese, however, are taking the line that this is an internal Cambodian matter and have refused to grant them exit visas without first receiving word from the Khmer communists.

The Chinese gave Sihanouk a lavish farewell banquet on September 6. It was attended by several high-ranking Chinese leaders and hosted by senior Vice Premier Teng Hsiao-ping on behalf of the hospitalized Chou En-lai. In his banquet speech, Teng went out of his way to express Chinese pleasure that Cambodian Deputy Prime Minister Khieu Samphan was in attendance. He did not repeat the attack in Sihanouk's speech on US "barbarous and vile aggression" and "genocide," noting only that the Cambodians had driven the US out of Cambodia.

National Intelligence Bulletin

September 8, 1975

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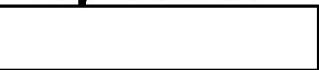
JAPAN-CHINA: Japanese Foreign Minister Kiichi Miyazawa and his Chinese counterpart Chiao Kuan-hua will hold talks on a peace and friendship treaty later this month at the UN. Negotiations have been suspended since June, when the talks broke down over Chinese desires to include an anti-hegemony clause aimed at the Soviet Union.

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